

## More than this

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Welcome to the second column about sustainability in Islamic finance. This time I focus on why and how Islamic finance is more than Shariah compliance. 'More than this' describes my feelings about the subject in just three simple words. After reading the column, I hope you gain an understanding of why Islamic finance is indeed about a great deal more than just Shariah compliance.

Following the Maqasid Shariah is much more than a compliance issue. It is a way of life. All of us often hear about 'form over substance' or conversely 'substance over form.' I clearly lean toward the substance over form approach, and in many ways, it has been discussions in this idiom that have developed my friendships with Muslims around the world.

Sadly, many take the approach that Shariah is a list of instructions that you have to tick off in order to maintain compliance.

This line of thought is, in part, endorsed by factors such as the process of negative screening for Shariah compliant stocks and investments, which gives the impression that if the box is ticked then everything is okay.

This form of screening should be for guidance only, and, does not do a particularly good job at ensuring Shariah compliance overall.

For example, the permissible percentage of debt or leverage in a company that uses conventional finance is a good example of the limitations of considering Shariah compliance as sufficient.



If you come under the number prescribed, you are Shariah compliant; if you are over the ratio then you are not. Does that mean that stealing less than a prescribed amount from someone is somehow ok?

The essence of the message is that Shariah compliance is not quite as simple as a box-ticking exercise to determine in 'form' terms if you are compliant.

In 'substance' terms, you would need to look at the objectives of the Shariah, known as the Maqasid, and understand the role of stewardship that all Muslims are entrusted to perform as guardians and protectors of the planet and of all humanity.

One of the great rewards I get from my work is to travel the world. I have the opportunity to interact with incredible people. It is amazing to see the breadth of experience and the many religions across this group of people.



Perhaps surprising to some, religious guidance on the 'substance' approach is very similar. While this column is focused on Islam, the same discussion is relevant to all major religions.

This column is foundational as it will allow me to develop related ideas in subsequent columns, including the clear alignment of the objectives of the Maqasid Shariah with such things as the 17 UN Sustainable Development Goals.

For now, I'll encourage you to start thinking in very simple terms about 'substance.' What is the intention? What is the desired outcome? What are the behaviors required to demonstrate good intentions?

All of which must be supported by a governance process as well as guidance and encouragement to ensure that outcome.

The Shariah is exactly that from a 'substance' point of view, and from a 'form' point of view, the Shariah allows you to tick the boxes, but it does nothing to encourage the focus of your attention on the desired outcome.

Simply put, this is what is known as 'a duty of care'. A concept that I encourage everyone to follow. Part of my duty of care is to help our multifaith world realize that we have more relevance, trust and impact when we work together. ☺